

A REPORT FROM

 MASSACHUSETTS JOBS  JUSTICE



WALL STREET  
**MONEY**  
*AND*  
MASSACHUSETTS'  
**SCHOOLS**

THE TRUTH BEHIND  
FAMILIES FOR EXCELLENT SCHOOLS



# INTRODUCTION

## Mixed Messages

**What is Families for Excellent Schools?** Although FES is not a household name around the state, the organization has had a significant impact on the debate around the future of public education here in Massachusetts—the birthplace of the modern public school system. FES—which describes itself as a grass-roots organization—is advancing an agenda backed by politically connected Wall Street financiers to increase the number of privately managed charter schools permitted by state law.

Earlier this year, brigades of Unify Boston “volunteers,” armed with clipboards, knocked on doors and hung around MBTA stations soliciting support and signatures on pledge cards to “Give every child access to an excellent public school in his or her neighborhood—whether it’s a district or a charter school.” These efforts, part of the first phase of the FES campaign, was about building a contact list in preparation for phase two: the Great School Massachusetts coalition. This coalition is focused solely on increasing the number of charter schools, at the expense of students in traditional district schools.

Since setting up shop in Boston in 2014, FES has been fairly secretive about its values, goals and funders. It would be easy for Bay State residents to mistake FES for any number of groups organizing communities purporting to improve education.

That is not a mistake parents would make in New York City, where FES is one of the most important and powerful groups advocating for charter school expansion. In 2014, FES broke all records on political lobbying expenditures in the state, spending more than \$9.6 million. It organized massive rallies in Albany, working closely with Gov. Andrew Cuomo’s administration to support his contentious education reform package with their allies in the state Senate Republican caucus. As charter schools closed their doors on rally days, FES helped organize parents and students to get on the buses heading upstate. Today, FES and large charter operators like Eva Moskowitz of Success Academies are holding public rallies in New York City to blast Mayor Bill de Blasio for arguing that charter schools should be held to the same standards as traditional district schools.

This report attempts to reconcile these different stories about FES by moving beyond the gloss of its expensive public relations machine and focusing on the most salient questions: Who actually controls FES, and what is its agenda?

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# IMAGE ADJUSTMENT

## The Origin of Families for Excellent Schools

**FES describes itself as a grass-roots, parent-powered movement.** “We take marching orders from our parents,” FES Co-founder and CEO Jeremiah Kittredge told the *Boston Globe*. “Our priority will be to listen to the parents.”<sup>1</sup>

Public records, however, tell a very different story. A small group of charter school chains, politically connected Wall Street financiers and powerful education officials have controlled FES since its founding.

Officially incorporated in 2011, the origin of FES can be traced to Feb. 18, 2010, when New York City Schools Chancellor Joel Klein received an email from Bryan Lawrence.<sup>2</sup> Lawrence is the founder of the Oakcliff Capital hedge fund, a director at the Public Prep network of charter schools, and today serves as vice chair of the FES board of trustees. The email reads:

**From:** Bryan Lawrence  
**To:** Klein Joel I.  
**Cc:** Kittredge (others not legible)  
**Sent:** Thu Feb 18 (not legible)  
**Subject:** Democracy Builders

Democracy Prep, KIPP and Public Prep are pooling resources to build collective parent outreach. Point person is Jeremiah Kittredge, who has been so effective at mobilizing Democracy Prep parents.

It would be good to have Jeremiah in touch with people you are working with. Am copying him and other collaborators on this—whom should Jeremiah contact at your end?

Exhibit 1

According to the email, a number of prominent charter school chains—Democracy Prep, KIPP and Public Prep—combined their considerable resources to organize charter school parents for political lobbying. FES’s own Jeremiah Kittredge—previously employed by Democracy Builders, the parent group of Democracy Prep—was chosen to spearhead parent outreach efforts. Klein responded quickly:

**From:** Klein Joel I.  
**Sent:** Thursday February 18 2010 7:02 PM  
**To:** (not legible)  
**Cc:** Kittredge (others not legible)  
**Subject:** Re: Democracy Builders

John White on my team and Joe Williams, both copied above.

Exhibit 2

John White is the current Louisiana state superintendent of education, where the city of New Orleans became ground zero for the great charter expansion experiment following Hurricane Katrina. Until 2015, Joe Williams served as executive director of Democrats for Education Reform, an organization created by hedge fund managers to push the Democratic Party to embrace school privatization. Today, Williams is the director of the ultra-conservative Walton Family Foundation’s Education Coalition. The foundation is controlled by the billionaire owners of discount chain Wal-Mart.

The February 2010 email exchange makes clear that FES is simply the latest business venture of a small group of rich, powerful, mostly white men seeking to privatize public education. While claiming to empower low-income parents of color to advocate for their children’s education, FES exploits parents and their desire for high-quality schools to push for privatization and charter school expansion.



# FES AND WALL STREET

## Partners for Profits

**In 2010, the *New York Times* identified charter schools as “a favorite cause of many of the wealthy founders of New York hedge funds.”<sup>3</sup>**

These billionaires don’t support charter school expansion because they care about quality public education; they see an opportunity for investment and profits, for free-market ideological reasons or as a political opportunity to weaken an important base of progressive politics. As News Corp. Chairman and CEO Rupert Murdoch told reporters in 2010, “When it comes to K through 12 education, we see a \$500 billion sector in the U.S. alone.”<sup>4</sup>

Charter schools are funded with taxpayer dollars, but privately managed. As charter schools expand, private management companies receive more public money. “[D]iverting large existing flows of money from the public to the private sector ... would create new profit-making ventures that could be capitalized and transformed into stocks, derivatives and leveraged securities.”<sup>5</sup>

With the incentive of a \$500 billion market, hedge fund support for groups like FES or Democrats for Education Reform or StudentsFirst looks less like charity and more like another investment. But what makes FES unique among other charter boosters is how tightly controlled the organization is by its Wall Street financiers. Hedge fund managers hold leadership positions on the FES board of directors, and hedge fund money powers FES operations. In 2014, the board included:



**Paul Appelbaum, board chair**

One of the co-founders of Seamless.com, Appelbaum is the principal of Rock Ventures LLC, a venture capital firm.



**Bryan Lawrence, board vice chair**

Lawrence is a director of the Public Prep network of charter schools, and founder of Oakcliff Capital, a hedge fund.



**Jon Lewinsohn, board treasurer**

Lewinsohn is senior managing director at Centerbridge Partners, a private equity and leveraged buyout firm.



**James Peyser, trustee**

Currently serving as state superintendent of education in Massachusetts, Peyser previously led the NewSchools Venture Fund, a “venture philanthropy” fund backed by hedge fund money.

While FES refuses to release a full list of its funders (more on that below), disclosed funders include the private foundations of hedge fund managers and other Wall Street financiers.

Funder	\$ Received	NOTES
Laura and John Arnold Foundation	\$1-5 Million	John Arnold made billions managing Centaurus Advisors LLC, a Houston-based hedge fund that specialized in trading energy products.
Dan Loeb	\$1 Million	Dan Loeb runs the Third Point hedge fund, and sits on the boards of the Success Academy charter school network and StudentsFirst, the pro-charter lobbying group formed by Michelle Rhee.
Julian Robertson	\$1 Million	Julian Robertson started Tiger Management, once the largest hedge fund in the world. Robertson’s son is the founder and CEO of PAVE Academy.
NewSchools Venture Fund	\$510,000	NSVF is a “venture philanthropy” fund backed by hedge fund money. FES trustee James Peyser is a partner.
Hertog Foundation	\$500,000	Roger Hertog is the former CEO of AllianceBernstein, a global asset management firm.
Ravenell B. Curry III Foundation	\$25,000	R. Boykin Curry III is the managing director of Eagle Capital Management, a New York City investment firm.
Tapestry Project	\$19,000	FES founder Bryan Lawrence sits on the Tapestry Project’s board.
Lone Pine Foundation	\$5,000	The foundation is funded by Stephen Mandel, founder of the Greenwich, Conn., hedge fund Lone Pine Capital.
Dalio Foundation	\$1,000	This is the personal foundation of Ray Dalio, billionaire founder of Bridgewater Associates, one of the most profitable and highly capitalized hedge funds in the world.

## DARK MONEY

**Unfortunately, we may never know exactly how much money Wall Street is pumping into FES.** By taking advantage of its dual 501(c)(3) and 501(c)(4) structure, FES skirts political lobbying disclosure laws to ensure its donors remain largely anonymous. As one public school advocate notes, “These guys have invented the ‘hedge-fund loophole’ in the dark-money world of [New York Gov.] Andrew Cuomo’s Albany.”<sup>6</sup> In 2014, New York City Mayor Bill de Blasio, a target of FES and charter school wrath due to his support for investing in traditional public schools, asked the organization to release a list of its donors. FES refused to do so even as it spent record amounts of money on political lobbying.<sup>7</sup>

The only information available on FES funders comes from nonprofit organizations like charitable foundations that are required by IRS rules to disclose their grants. The identity of private companies or individuals making contributions to FES is not publicly reported.

One thing we can say for certain is that FES has been extremely successful at recruiting new donors. In 2012, it received more than \$1 million in contributions; in 2013, it received more than \$12 million.<sup>8</sup> Moreover, while the identities of its donors are exempt from reporting, FES is required to report the contributions over \$5,000 that it received from a single source. The table below charts those contributions.

Amount Donated	# Donations	Total Received
\$3 million	1	\$3 million
\$1.5 million	1	\$1.5 million
\$1 million	5	\$5 million
\$500,000 – \$999,999	3	\$1.71 million
\$100,000 – \$499,999	4	\$625,942
\$50,000 – \$99,999	5	\$260,000
\$5,000 – \$49,999	9	\$177,000

Source: 2013 FES Form 990 Schedule B

With 28 contributions totaling more than \$12 million, the average contribution to FES was more than \$438,319. The seven individual donations of \$1 million and greater account for more than 75 percent of the money FES received in 2013. This is the mark of an organization that is beholden to big money donors, not to the children and parents it claims to serve.

The IRS loopholes aren’t quite big enough to allow one of the most notorious funders of school privatization to secretly drop off a bag of cash at FES headquarters. The Walton Family Foundation (WFF) is one of the largest foundation donors to K-12 education, spending roughly \$164 million in 2013. An analysis of the foundation finds that “[u]nder the guise of ‘choice’ to improve schools for low-income children, WFF has supported the unregulated growth of a privatized education industry—quantity over quality and ‘freedom’ over regulation. It’s been lucrative for some, but a disaster for many of the nation’s most vulnerable students and school districts.”<sup>9</sup>

Eager to help more education profiteers reap financial benefits at the expense of even more students and districts, WFF contributed \$500,000 to FES in 2013,<sup>10</sup> and then increased its grant to \$5 million in 2014.<sup>11</sup>

# EMPIRE STATE TO THE BAY STATE

## FES in Massachusetts

**During the summer of 2014, FES “quietly” opened an office in Boston.** “Kittredge [...] said part of his motivation for setting up a branch in Boston was his roots here and the opportunity to work with Mayor Martin J. Walsh.”<sup>12</sup>

Since moving to the Bay State, FES has enjoyed suspiciously good luck in gaining access to key decision-makers in education. In December 2014, Gov.-Elect Charlie Baker appointed FES trustee Jim Peyser to serve as state secretary of education.<sup>13</sup> In May 2015, Tommy Chang, the new superintendent of Boston Public Schools, appointed an FES consultant to serve as chief of staff.<sup>14</sup>

Beyond political access, FES had a practical reason to expand into Massachusetts: it was being paid to do so. While FES will not disclose its funders, Strategic Grant Partners disclosed in its 2014 tax release that it was making an \$800,000 grant to FES to help launch its operations in Massachusetts.<sup>15</sup> SGP is a venture philanthropy fund that channels money from investors seeking a guaranteed return on their “charitable” spending to a nonprofit that can demonstrate a quantifiable record of success. A review of SGP’s grant-making history shows millions of dollars going to charter schools and school privatization advocates.

SGP’s “results-driven” model of grant making is especially appealing to professional investors because it reflects their work in the for-profit sector. “Legendary investors such as Seth Klarman, James Pallotta, and Josh Bekenstein enlist [SGP] to help them discover, and then fund, some of the area’s best nonprofits.”<sup>16</sup> SGP Executive Director Joanna Jacobson sits on the board of several area charter schools.

So who gave SGP the \$800,000 to pass on to FES? SGP discloses both its grantees and its funders without drawing a line between the two parties. The SGP tax return coupled with research into FES’s political lobbying in New York, however, offers up a likely source: conservative political donor and billionaire investor Seth Klarman, whose Klarman Family Foundation coincidentally gave \$839,989 to Strategic Grant Partners in 2014.

Klarman is the president of Baupost Group, a hedge fund with offices in Boston and London that manages nearly \$30 billion in assets, including investments in fossil fuel energy companies. The *Boston Globe* identifies Republican money man Klarman as New England’s top campaign contributor and “part of a new class of political donors who have risen in prominence in the

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wake of the 2010 *Citizens United* court decision that allowed unlimited campaign giving.” Klarman gave more than \$3 million in the 2014 federal elections, mostly to Republicans. A Boston-based Republican operative says “Klarman is one of the few people who can, and is willing to, write those big checks.”<sup>17</sup>

One of those big checks was a \$100,000 contribution to “New Yorkers for a Balanced Albany,” a PAC that helped flip the New York State Senate to Republican control in 2014 by spending \$4.2 million on attack ads against increased education funding. While funded and run by a small group of hedge fund managers—including Klarman, Dan Loeb of Third Point, and Paul Tudor Jones of Tudor Investment Corp.—the PAC was created by the New York chapter of Michelle Rhee’s pro-charter school lobbying organization, StudentsFirst, with the express goal of electing as many Republicans as possible. Loeb and Jones sit on the StudentsFirstNY board of directors.<sup>18</sup> To understand just how closely tied together these entities are, public records show that StudentsFirstNY and Families for Excellent Schools shared office space in 2014.<sup>19</sup>

Given Klarman’s links to other conservative, pro-charter, hedge fund billionaires who worked with FES in New York, it seems plausible that his contribution to SGP was, in fact, earmarked for FES. This would only reinforce the perception that FES is not an organic, parent-driven group that came to Massachusetts to empower Bay State parents. FES came to Massachusetts fueled by Wall Street money.



## CONCLUSION

**Families for Excellent Schools is hardly unique.**

The story of corporate education reform is full of conservative “grass-roots” groups that parachute into local fights on behalf of the agendas of wealthy businessmen. While using organizing tools borrowed from labor and community groups, FES is simply the latest out-of-state big donor-funded group seeking to privatize and corporatize schools rather than actually help them improve. As long as Families for Excellent Schools is funded and directed by Wall Street, it

will never be able to help improve education for the students from low-income families that it purports to serve. In fact, the policies pushed by FES will directly harm the vast majority of students attending district schools and prevent us from having a real debate on how to provide a high-quality, equal education for all students in the commonwealth.

## ENDNOTES

1 <https://www.bostonglobe.com/metro/2014/08/03/out-state-group-touting-charter-schools-expands-boston/BAe7FcAsiSpUFzXQE9Y2H/story.html>

2 Records accessed through a New York Freedom of Information Law (FOIL) request, held by the AFT.

3 [http://www.nytimes.com/2010/05/10/nyregion/10charter.html?pagewanted=all&\\_r=0](http://www.nytimes.com/2010/05/10/nyregion/10charter.html?pagewanted=all&_r=0)

4 <http://voices.washingtonpost.com/answer-sheet/murdoch-buys-education-technol.html>

5 <http://www.epi.org/publication/education-profiteering-wall-street/>

6 <http://www.crainsnewyork.com/article/20141012/BLOGS04/141019975/group-is-visible-but-not-its-donors>

7 <http://www.capitalnewyork.com/article/albany/2014/12/8558390/pro-charter-group-sets-lobby-record>

8 Review of FES IRS Form 990s

9 <http://cashinginonkids.com/brought-to-you-by-walmart-how-the-walton-family-foundations-ideological-pursuit-is-damaging-charter-schooling/>

10 <http://www.waltonfamilyfoundation.org/who-we-are/grant-reports-financials/2013-walton-family-foundation-grants>

11 <http://www.waltonfamilyfoundation.org/who-we-are/grant-reports-financials/2014-walton-family-foundation-grants>

12 <https://www.bostonglobe.com/metro/2014/08/03/out-state-group-touting-charter-schools-expands-boston/BAe7FcAsiSpUFzXQE9Y2H/story.html>

13 <https://www.bostonglobe.com/metro/2014/12/23/baker-names-james-peyser-education-secretary/PzwerLZcqiG2SGozPQUzcN/story.html>

14 <https://www.bostonglobe.com/metro/2015/05/24/parents-call-for-ouster-top-aide-incoming-superintendent-tommy-chang/8IXAYURmDhYLi3o9dn08bP/story.html>

15 Review of SGP IRS Form 990

16 <http://www.bostonmagazine.com/news/article/2013/03/26/most-powerful-people-boston-philanthropy-list/4/>

17 <https://www.bostonglobe.com/news/nation/2015/06/01/new-england-top-gop-donor-isn-republican/4Kvg9KSwJoFXnJfZb070GJ/story.html>

18 <http://www.institutionalinvestor.com/article/3447975/asset-management-hedge-funds-and-alternatives/hedge-fund-managers-tackle-unions-over-charter-schools.html?ArticleId=3447975#.VkpR6XarRxA>

19 <http://www.thenation.com/article/9-billionaires-are-about-remake-new-yorks-public-schools-heres-their-story/>

## EXHIBITS

### Exhibit 1

**From:** Bryan Lawrence  
**To:** Klein Joel I.  
**Cc:** [Kittredge](#) [chorowsky](#) [petry](#)  
**Sent:** Thu Feb 18 18:51:59 2010  
**Subject:** Democracy Builders

Democracy Prep, KIPP, and Public Prep are pooling resources to build collective parent outreach. Point person is Jeremiah Kittredge who has been so effective at mobilizing Democracy Prep parents.

It would be good to have jeremiah in touch with people you are working with. Am copying him and other collaborators on this - whom should jeremiah contact at your end?

Thx

### Exhibit 2

**From:** Klein Joel I.  
**Sent:** Thursday, February 18, 2010 7:02 PM  
**To:**  
**Cc:** [Kittredge](#) [chorowsky](#) [petry](#)  
[White John](#); [williams](#)  
**Subject:** Re: Democracy Builders

John White on my team and Joe Williams, both copied above.



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